

REPORT TO: EXECUTIVE COMMITTEE and COUNCIL

Date of Meeting: 12 June 2018 (Executive Committee)

13 June (Extraordinary Council)

Report of: Strategic Management Board

Title: Transformational Budget – First tranche of proposed projects

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

The report examines the first tranche of proposed project to be funded by the transformation budget and seeks approval to assign funding to the projects and commence their delivery.

2. Recommendations:

- 2.1 Executive Committee recommends and Council approves the allocation of funding from the Transformation Reserve.
- 2.2 Council delegates authority to the Chief Executive & Growth Director, in consultation with the Chief Finance Officer and Leader of the Council, to allocate resources up to £1.5 million funded by an Earmarked Reserve, to support transformation and other projects that will support the Council in delivering £2.75 million in savings over the next two years.
- 2.3 Executive recommends and Council approves a capital Budget of up to £10 million to enable commercial opportunities to be progressed.
- 2.4 Council delegates authority to the Chief Finance Officer in consultation with the Director for Place, the Leader of the Council and the Portfolio Holder for Place and Commercialisation to award funds against the Commercialisation capital budget of £10 million.

3. Reasons for the recommendation:

- 3.1 The proposed projects are all designed to transform the way we work and either offer budget savings from more efficient working or enable increased income generation. These types of projects will be essential as we manage the impacts of reducing budgets in the future.
- 3.2 The Commercialisation capital budget will enable the Council to act quickly if opportunities arise in the commercial market. All successful bids will be subject to a rigorous business case approval process.

4. What are the resource implications including non financial resources.

- 4.1 The financial and non-financial implications are listed on a project by project basis in section 9. The overall aim will be to reduce drain on resources by introducing more efficient working practices and improving income generation by grasping commercial opportunities.
- 4.2 The aim of both funds is to provide either ongoing reductions in service budgets or future long term income streams that will enable the Council to address the shortfall in funding of £2.75 million over the next two years.

5. Section 151 Officer comments:

- 5.1 The two budgets requested are considered essential to the Council's need to make £2.75 million savings over the next two years. In order to protect against significant cuts to services, these funds will support the introduction of new income streams and measured savings across the Council.
- 5.2 The Council has set aside in an earmarked reserve, £1.5 million, to support one-off expenditure in order to deliver a balanced budget going forward. Council is required to approve all budgets for expenditure regardless of how they are funded.

6. What are the legal aspects?

- 6.1 The Local Government Finance Act 2000 requires all expenditure to be approved by Full Council. Expenditure within the approved budget can then be delegated to either a named Officer or budget holder as appropriate. Although the funding has been set aside for the purpose specified in the report. The expenditure still requires authorisation

7. Monitoring Officer's comments:

It is anticipated that the proposals contained within this report will support the Council in discharging this duty.

8. Background

- 8.1 The impact of budget cuts arising from reductions in central government funding has put increased pressure on our budgets and our ability to deliver services. In line with many other local authorities Exeter City Council must either drive greater efficiency, cut services or seek extra income to balance budgets.
- 8.2 The Authority needs to look at the resources at its disposal and examine the potential for changing the way we do things to be more efficient and how we can become more commercial to generate income. Projects to achieve these aims are likely to require some initial funding from the transformation fund.
- 8.3 Across the organisation there are a wide variety of services which have varying limited commercial activity such as Trade / Garden Waste and our Corporate Property Unit has operated commercially for many years. It is proposed to utilise these existing commercial services and develop them over the shorter term to produce some quick wins and then develop other services for a longer term gain

8.4 In order to avoid having to wait for the Committee cycle, it is proposed that Council delegates authority to the Chief Executive & Growth Director, in consultation with the Chief Finance Officer and Leader of the Council, to allocate up to £1.5 million, which will be funded by an Earmarked Reserve, to support transformation and other projects that will support the Council in delivering £2.75 million in savings over the next two years.

9 Proposed Projects for tranche 1

9.1 The table below summarises the projects and their costs with further detail given in paragraphs 9.2 to 9.9 below. Any further projects that are funded will be reported to Council through the usual budget monitoring reports.

Table 1: Summary of Proposed Transformation Projects

	Project Summary	Budget Requested
9.2	Commercial Development Manager, to develop commercially targeted opportunities through the business case stage and into operation.	£50k / year including salary on costs for two years
9.3	Commercialisation Audit, to look at which of our services have the most potential for commercialisation and to then work up business cases for selected early wins.	£20k quoted for reviews of 2 services and 2 business plans.
9.4	Canal Commercial Strategy, to develop a vision for a more economically sustainable asset looking at investment and commercial opportunities.	£40k Asset Survey £40k Canal Masterplan
9.5	CCTV modernisation, to improve income generation and reduce maintenance costs.	£30k for review
9.6	Corporate Asset Challenge, to review all of the Council's assets to determine whether they are being put to best use and whether there are alternative or better solutions to deliver the same outcome.	£60k for comprehensive asset review and challenge.
9.7	Street Cleansing resource and route optimisation.	£15k for asset mapping and route optimisation
9.8	Panacea Dynamic Purchasing System to automate competitive quoting and tendering.	£17k first year including set up. £12k thereafter.
9.9	Project management expertise to support the project to deliver the £2.75 million.	£110k
	Total requested for first tranche of projects	£432k

9.2 Commercial Development Manager.

9.2.1 In line with the authorities emerging commercialisation strategy, a need for a Commercial Manager has been identified. The post will initially focus on Place based services, where some commercial activity already exists and develop them further for quick wins. The lessons learned will be used to shape and inform the development of wider commercialisation opportunities throughout the Authority.

9.2.2 Comparison with other local authorities indicates salaries for similar posts are in the Grade 10-11 range (£32,486 - £38,237) plus employment on-costs. This post will be subject to a Job Evaluation exercise. In order to reflect the challenges of the post and

to attract a candidate with appropriate commercial marketing experience and skills, it is recommended that a sum of up to the equivalent of a Grade 11 salary be approved.

9.3 Commercialisation Audit.

9.3.1 An audit of potentially commercial activities (initially across the Place Directorate) to look at...

- Our existing services and establish what we're good at and what we have potential to be good at
- What our unique selling point and market advantage is
- What is the local market potential for our services
- Developing our existing outline commercial strategy into a full blown corporate strategy and action plan.
- Building on the work of the audit and strategy to establish some early targets and prepare a full business case for development
- Commercial training for the authority to develop the commercial culture.

9.3.2 Commercialisation specialists at APSE have quoted £15k for audits and business plans for two services.

9.4 Canal Commercial Strategy

9.4.1 The aim of the Canal Commercial Strategy is to create a more economically sustainable asset where the income generated would go some way to offset maintenance and operational costs.

9.4.2 There are two main elements an asset inventory, condition assessment and maintenance plan to establish the size of the future maintenance burden and a masterplan for the canal area focusing on the commercial opportunities. The two projects would need to be externally let to consultants with extensive experience of similar projects for the Canal and Rivers Trust or other navigation authorities. We are fortunate to have more than one of these companies in the Devon area which will provide competition.

9.4.3 The asset inventory survey should capture all information in enough detail to allow scenarios models and maintenance schedules to be developed. Expected cost circa £40k.

9.4.4 The commercial master planning exercise should be two stage process identifying opportunities and constraints and then looking at individual options for increased income with high level costs estimates and investment appraisals. Estimated cost of £40k for the two phases in total.

9.5 CCTV modernisation

9.5.1 Much of our CCTV infrastructure is becoming obsolete and the unique software protocol means that realistically only the current provider can maintain it. To reduce maintenance costs and to attract additional funding, a review of how we provide the service and the technology available is required.

9.5.2 The proposed plan for review is to employ an independent consultant to come up with a tender specification for a more generic CCTV system that can potentially be maintained by a wider range of companies. Ensuring compatibility with Police requirements to facilitate up to £40K capital investment from Police and Crime Commissioners Office which in turn will allow us to monitor cameras from other areas and bring in income.

Include upfront annual maintenance costs for the duration of the capital replacement contract. This will enable the removal of the £60k annual maintenance budget by investing capital upfront.

If the new technology allows review the costs and benefits of relocating Control Centre away from current location to the Civic Centre.

9.6 Corporate Asset Challenge

9.6.1 Corporate Property intend to start a review of all of the Council's assets to determine usage and whether assets are being put to best use and whether there are alternative and better solutions to deliver the same outcome.

9.6.2 As part of the emerging Asset Management Strategy, it is clear that Council's property portfolio needs to be evaluated against a common set of criteria to provide baseline information to identify the condition and suitability of its assets. This is known as the "Asset Challenge". The purpose of this is challenge perceptions and modernise the way the Council delivers services by:

Establishing the financial performance of buildings;
Transforming cultures and working practices – encouraging shared use of space;
Implementing new ways of working, including flexible and home working;
Reducing the Council's corporate footprint;
Highlighting assets that require investment;
Reducing carbon emissions;
Improving data management and daily collection of new and retained assets.

9.6.3 Ultimately the implementation of Asset Challenge will reduce Council costs and identify properties that should be retained for use and/or investment together with those that are surplus to requirements.

9.6.4 Through the strategic use of its property assets, the Council aims to achieve value for money from cost-effectiveness and efficiency leading to improved customer and stakeholder satisfaction, improved affordability, compliance with statutory and regulatory codes, improved corporate management, environmental improvements and enhanced joint and partnership working arrangements. In this way we would look to optimise the contribution our property assets make to the Council's strategic and service objectives. The process should allow us to prioritise investment in our assets to meet current and future service delivery needs and provide a cohesive rationale for the ownership, occupation and management of the Council's assets.

9.6.5 It should also ensure the maximum return from our commercial portfolio and landholdings as well as reducing the environmental impact of our operational property assets.

9.6.6 Finally, opportunities will be identified to use our assets to encourage new developments, redevelopments and urban regeneration.

9.6.7 In order to commence this work, the Council would need to engage the services of external consultants to provide an independent overview and resource level not currently in place in-house. It is felt that a comprehensive Asset Challenge process will cost in the region of £50,000-£60,000.

9.7 Street Cleansing route and resource optimisation

9.7.1 The key for optimising routes and resources within services like Street Cleansing is to accurately map where all the assets are and establish what frequency they need attention. This then allows full route and resource optimisation. In most modern services this is done by software programs. Our asset information is improving but it is still paper based and optimisation is done by hand. This is time consuming and inefficient. Rather than purchasing a full optimisation software package we are proposing that we commission a small piece of consultancy work which will map and georeferenced all of our street cleansing assets and sweeper routes and then fully optimise them. When twinned with greater use of mechanisation we anticipate that this will free up resource capacity.

9.8 Panacea Dynamic Purchasing System

9.8.1 Panacea is a dynamic purchasing system which enables large scale automation of procurement functions. Mainly focused around the communications and marketing function, case studies show that it has saved authorities between 35% and 72% of their marketing budgets. Even taking the conservative end of that estimate of 35% we would estimate savings of £140k against an initial investment of £17k and ongoing costs of £12k. On a spend to save basis this stacks up favourably.

9.8.2 Initially focussed on marketing and communications spend this could be rolled out across the authority to automate many of our procurement functions and drive best value from our suppliers. It will also give much greater central control and compliance over the whole process from supplier selection to evaluation and review.

9.9 Project Management

9.9.1 The transformation programme required to deliver the savings identified is a significant task for the Council. The savings required cannot be delivered by a piecemeal approach. The transformation programme will impact different services and functional areas across the Council, with different approaches, solutions and implications required to deliver the significant outcomes needed.

In order to successfully deliver the changes required, we will need professional project management expertise to lead the service / functional specialists in a controlled and managed way.

9.9.2 A professional project management approach will enable :

- a) Clarity of outcomes required from each affected service / function.
- b) The production of clear Responsibility Matrices for each project in the programme, so that task owners are identified and communicated.
- c) The creation of clear decision points and milestone gateways, to ensure effective control of the evolving solutions and the ability to constantly measure progress.

- d) Identification of clear delivery timescales and the establishment of deadlines for the decision points.
- e) Ongoing proactive risk management
- f) Effective Stakeholder engagement, including identification of key stakeholders and management of interaction with them.
- g) Clarity of focus and objective. The service / function leads will still need to do the 'day job' during the transformation programme. The dedicated project manager will enable the service / function leads to largely continue their normal duties. The delivery of the transformation programme projects is the 'day job' of the project manager.
- h) As the project manager is solely focused on the successful delivery of the project objectives (delivering the outcomes, on time and within budget), personal interests or 'protectionism' within service / functional areas are less likely to impact on progress and overall success.
- i) The project manager should promote and provide transparent, open and honest communication across the projects within the programme – looking for any synergies or conflicts which may arise across the strands.

9.9.3 It is important that the project management expertise is suitably experienced working in Local Authority / Central Government environments to appreciate the challenges pertinent to the Council. Additionally we should seek expertise which is suitably qualified, with recognised Cabinet Office qualifications such as 'Prince 2' and 'MSP – Managing Successful Programmes'.

9.10 Commercialisation Capital Budget (£10 million)

9.10.1 In addition to the revenue budget, it is proposed to provide for a capital budget to allow the Council to consider any commercial opportunities that may arise. This may include the purchase of commercial property within Exeter, where opportunities arise, but also will allow further opportunities for energy savings schemes, as well as capital investment to support commercial opportunities in all services.

9.10.2 As with the revenue fund, it is proposed that Council delegates authority (in this case) to the Chief Finance Officer in consultation with the Director for Place, the Leader of the Council and the Portfolio Holder for Place and Commercialisation to award funds against the Commercialisation capital budget of £10 million. Each project will require a business case, which will be considered to ensure that the benefits outweigh any costs of borrowing. Each scheme will be financed in the most appropriate way to maximise the benefit to the Council's revenue account going forward.

10. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

10.1 None identified.

11. Are there any other options?

11.1 The Council has to save £2.75 million a year. A traditional savings exercise could be run, but these tend to mean that all services are reduced. The size of the saving required means that a more measured approach is required.

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

Strategic Management Board

Contact for enquires:

Democratic Services (Committees)

Room 2.3

01392 265275